



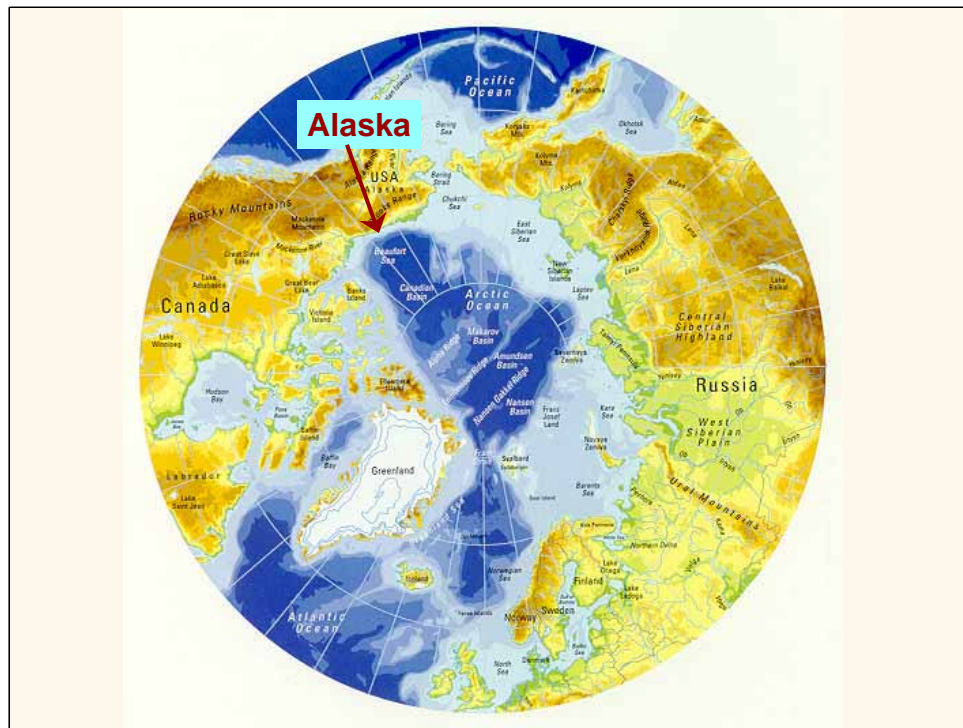
## *Resource Management for a Global Offshore Oil & Gas Industry*

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Carolita Kallaur, Associate Director  
Minerals Management Service  
OCS Policy Committee Meeting  
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- ♦ I am very pleased that we were finally able to get back to Alaska.
- ♦ It clearly represents the diversity of America from its beautiful landscape to the diversity of its people.
- ♦ Being here will allow all of us to opportunity to learn first hand the local perspective not only for Offshore oil and gas activity, but also what is going on up on the North Slope, which has been a very important source of petroleum for our nation.



- ◆ Since our three Regional Directors will be providing an update of what is happening on the OCS around the country, I want to focus my remarks on a larger picture - namely the growing globalization of the Offshore oil and gas program.
- ◆ This is an area which the committee may want to become more engaged in the years ahead.
- ◆ Alaska is an ideal place to have such a discussion—sitting on top of the world you can easily see how activities in any part of the arctic an effect all of the arctic.
- ◆ Map shows Arctic Circle with Alaska highlighted

## Global Situation is Changing

- Offshore production playing global role
- MMS providing assistance to newcomers
- OCS Policy Committee members going global
- MMS working with regulators from mature areas
- U.S. industry - global leader

♦The offshore regions around the world are beginning to play a more prominent role in meeting global energy requirements.

♦This is due to the growing number of countries providing access to their offshore areas to private investment and the major discoveries being made, particularly in deep water.

♦Many of the planned economies which are undergoing privatization are seeking help from experienced regulators. MMS is involved in providing assistance to Russia, several Caspian nations, and China.

♦*In fact, Don Oltz of Alabama, Jim Erb of Pennsylvania, and John Shively of Alaska are participants along with MMS in a partnership program that's providing regulators in the Caspian Sea region a variety of regulatory perspectives as well as the opportunity to develop partnerships with their counterparts in the U.S.*

♦MMS is also becoming more involved with the regulators from mature producing areas to share information and cooperate on issues of common concern.

♦The U.S. industry has become a global leader in technological innovation as evidenced by the dramatic technological advances being made in the Gulf of Mexico and up on the North Slope here in Alaska.

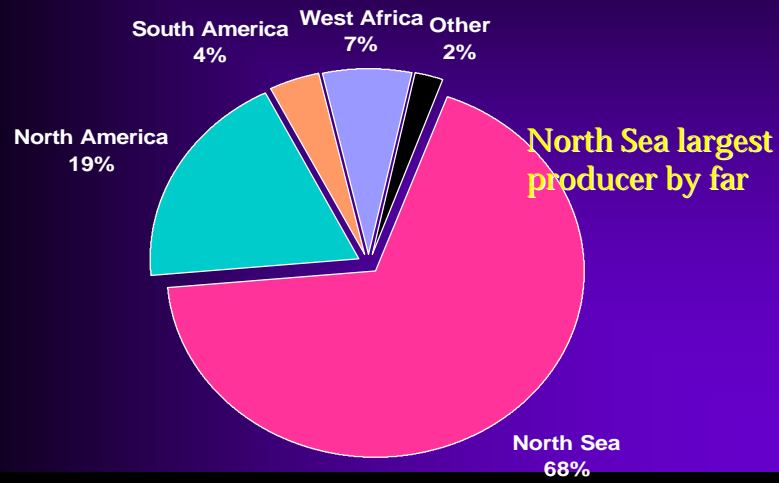
## Offshore Oil & Gas Activity

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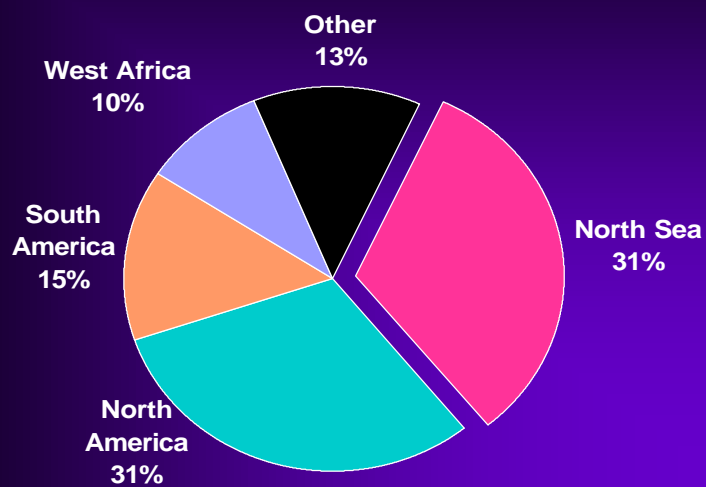
- ♦ As an agency in charge of resource management, MMS is in a unique position within this world community. In no other country is a single agency in charge of offshore resource management from the identification of areas for lease right through abandonment of facilities.
- ♦ At the same time, our management responsibilities cover drastically different physical and sociological environments in addition to relationships with an exceptionally diverse group of stakeholders.
- ♦ And finally, the offshore industry in the U.S. ranges from multinational corporations with operations around the world to small independents with operations in only one U.S. region or even in one State.
- ♦ There is reason why MMS has a lot to offer to the international stage as regards the efficient, safe, and environmentally sound management of offshore resources.

## Non-OPEC Offshore Oil: 1990-95



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## Expansion of Interest Groups

### ■ Arctic Council

- Represents all eight Arctic Nations
- Focus on environmental protection and sustainable development
- State of Alaska active participant

### ■ International Maritime Organization

### ■ U.N. Committee on Sustainable Development

- How best to develop resources with eye to the future
- MMS developing position

♦ An outcome of the growing importance of offshore energy is the proliferation of groups looking at a range of environmental, technological and societal issues.

♦ An example of such a group is the Arctic Council, with representatives from all eight Arctic Nations. It is currently chaired by the U.S. and met earlier this month here in Anchorage, Alaska.

♦ The Council's focus is to promote environmental protection and sustainable development in the Arctic Region. The State of Alaska is actively involved in Arctic Council issues — especially those associated with indigenous populations.

♦ Alaska has also hosted a number of visitors from Arctic countries as large as Russia and as small as Denmark's Faroe Islands.

♦ Groups under the U.N. are also becoming more active from the International Maritime Organization, which focuses on issues such as platform removals and use of floating vessels to the Committee on Sustainable Development, which is looking at how best to develop resources with an eye to the future.

♦ A group in MMS is looking at how our domestic program can support the principles of sustainable developments.

## Interest in Global Environment

- International treaties such as Kyoto Protocol on greenhouse gases
- Worldwide interest in increasing natural gas production
  - Caspian/Russian Far East - important to meet Asian demand
  - Gas hydrates attract attention

- ◆ There also is a heightened interest in the global environment as reflected by such international treaties as the Kyoto Protocol on greenhouse gases.
- ◆ This translates to a worldwide interest in increasing the production of natural gas so there can be a greater reliance on this environmentally, preferable fuel.
- ◆ This is not only true in the U.S. as will be discussed in a panel today, but also in Europe and Asia.
- ◆ The gas resources in the Caspian and the Russian Far East will play an important role in addressing Asian environmental objectives.
- ◆ It is also why so many nations have an interest in gas hydrates as a potential new energy source.



## Traditional Approach to Standards

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- Countries historically develop their own rules
- Often combine with internationally developed standards
- U.S. industry relies more on API recommended practices

- ◆ Another related and emerging theme is the role of international standards in setting the ground rules for how oil and gas activities should be conducted.
- ◆ Companies, both U.S. and foreign, move rigs and personnel from one part of the globe to another.
- ◆ Countries have historically developed their own rules for how activities off their shores should be conducted, particularly with respect to fixed facilities as opposed to mobile vessels.
- ◆ Often these nationally set rules are combined to a varying degree with internationally developed standards.
- ◆ This has been the practice in the U.S. with a heavier reliance on API recommended practices than true international standards.

## International Standards

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- Done correctly - Allow for regional differences
  - Can lower costs
  - Make more resources economic to produce
  - Raise worldwide safety & environmental performance
- Done incorrectly - Imposed on U.S. industry from external sources
  - Can be inefficient
  - Costly and burdensome

♦The question before many offshore producing nations is what role internationally developed standards should play in their overall regulatory regime.

♦If done correctly, a set of standards, that allows for regional differences, can lower costs, make more resources economic to produce and raise worldwide safety and environmental performance.

♦If done incorrectly, standards imposed on the U.S. industry from external sources can be inefficient, costly and burdensome.

## MMS Goals

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- MMS becoming more active
  - In standard setting bodies
  - Working more closely with other regulators
- Domestic: Want to have most efficient resource management
- International: Contribute to high level of safety and environmental performance

◆ This is an area where we at MMS are devoting more time and attention. We are becoming more active in standard setting bodies and working more closely with other regulators.

◆ On the domestic front, we realize we compete for funds globally so we want to have the most efficient regulatory regime.

◆ Internationally, we want to contribute to a high level of safety and environmental performance

## Committee Influence

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- Valuable advice domestically
- Larger influences may be beyond our borders
- Important we understand what is going on globally and be actively involved
- All can benefit from a clean environment and greater access to energy, particularly natural gas

- ◆Historically, this Committee has provided valuable advice to use on principally domestic issues.
- ◆As we approach the 21st century, we all need to realize that the larger influences on our domestic program may be beyond our borders and it is important that we understand what is going on and be actively involved.
- ◆We all, both the U.S. and other countries, benefit from a clean environment and greater access to energy, particularly natural gas.